

§ 143C-4-2. Savings Reserve.

(a) Creation. – The Savings Reserve is established as a reserve in the General Fund and is a component of the unappropriated General Fund balance.

(b) General Use of Funds. – In each fiscal year, funds reserved to the Savings Reserve shall be available for expenditure in an aggregate amount that does not exceed seven and one-half percent (7.5%) of the prior fiscal year's General Fund operating budget appropriations, excluding departmental receipts, upon appropriation by a majority vote of the membership of the Senate and House of Representatives present and voting for any of the following purposes:

- (1) To cover a decline in General Fund revenue from one fiscal year to another.
- (2) To cover the difference between that fiscal year's General Fund operating budget appropriations, excluding departmental receipts, and projected revenue.
- (3) To pay costs imposed by a court or administrative order.
- (4) To provide relief and assistance from the effects of an emergency, as that term is defined in G.S. 166A-19.3.

(b1) Extraordinary Use of Funds. – In each fiscal year, funds reserved to the Savings Reserve shall be available for expenditure upon a two-thirds vote of the membership of the Senate and House of Representatives present and voting for any of the following purposes:

- (1) To use for any of the purposes set forth in subdivisions (1) through (4) of subsection (b) of this section in an aggregate amount that exceeds seven and one-half percent (7.5%) of the prior fiscal year's General Fund operating budget appropriations, excluding departmental receipts.
- (2) For a purpose not set forth in subdivisions (1) through (4) of subsection (b) of this section in any amount.

(c) Repealed by Session Laws 2017-5, s. 1, effective October 1, 2017.

(d) Savings Reserve Requirement. – Each Current Operations Appropriations Act enacted by the General Assembly shall include a transfer to the Savings Reserve of fifteen percent (15%) of each fiscal year's estimated growth in State tax revenues that are deposited in the General Fund, except that if that transfer would cause the balance of the Reserve to exceed the recommended Savings Reserve balance developed pursuant to subsection (f) of this section then the amount transferred pursuant to this subsection shall be reduced accordingly.

(e) Actual Transfer of Funds to Savings Reserve. – Each fiscal year, the Office of State Controller shall transfer to the Savings Reserve the estimated growth amount required by subsection (d) of this section. Upon calculation of the actual growth in State tax revenues that are deposited in the General Fund, the Office of State Controller shall adjust the amount of the transfer to the Savings Reserve to achieve an amount equivalent to fifteen percent (15%) of the actual growth.

(f) Evaluation of Savings Reserve. – The Office of State Budget and Management and the Fiscal Research Division of the General Assembly shall jointly develop and annually produce an evaluation of the adequacy of the Savings Reserve based on the volatility of North Carolina's General Fund tax structure, which shall take into consideration relevant statistical and economic literature. After completing the evaluation, these entities may revise the methodology as needed to estimate the target for the Savings Reserve balance, which shall be calculated so as to be sufficient to cover two years of need for nine out of 10 scenarios involving a decline in General Fund revenue from one fiscal year to the next fiscal year. The recommended balance shall be expressed as a percentage of the prior year General Fund operating budget appropriations, excluding departmental receipts. The Office of State Budget and Management shall report this percentage to the Chairs of the House of Representatives and Senate Appropriations and Finance Committees no later than February 1 of each year.

(g) Additional Transfer of Funds by General Assembly Permissible. – Nothing in this section shall be construed to prohibit the General Assembly from directing the transfer of additional funds into the Savings Reserve.

(h) Applicability. – Nothing in this section shall be construed to apply to the Highway Fund or the Highway Trust Fund.

(i) Unfunded Liability Solvency Reserve Full-Growth Transfer Requirement. – If, and to the extent that, the balance of the Savings Reserve is at or above the recommended Savings Reserve balance developed under subsection (f) of this section as of the last day of the fiscal year, the Current Operations Appropriations Act for the succeeding fiscal year shall include a transfer to the Unfunded Liability Solvency Reserve of fifteen percent (15%) of the succeeding fiscal year's estimated growth in State tax revenues that are deposited in the General Fund.

(j) Unfunded Liability Solvency Reserve Partial Growth Transfer Requirement. – If, and to the extent that, the balance of the Savings Reserve is below the recommended Savings Reserve balance developed under subsection (f) of this section as of the last day of the fiscal year, prior to the transfer of fifteen percent (15%) of the succeeding fiscal year's estimated growth in State tax revenues that are deposited in the General Fund, then the following shall apply:

- (1) If, upon transfer to the Savings Reserve funds in the amount of fifteen percent (15%) of estimated growth in State tax revenues deposited in the General Fund, the balance of the Savings Reserve is above the recommended Savings Reserve balance developed under subsection (f) of this section, then the Current Operations Appropriations Act shall include a transfer to the Unfunded Liability Solvency Reserve of an amount equal to the difference between the recommended balance of the Savings Reserve developed under subsection (f) of this section and the balance of the Savings Reserve upon transfer of fifteen percent (15%) of estimated growth in State tax revenues.
- (2) If, upon transfer to the Savings Reserve funds in the amount of fifteen percent (15%) of estimated growth in State tax revenues deposited in the General Fund, the balance of Savings Reserves is at or below the recommended Savings Reserve balance developed under subsection (f) of this section, then no such transfer described in subdivision (1) of this subsection shall occur. (2006-203, s. 3; 2017-5, s. 1; 2018-30, s. 2(c).)